



Tennessee State Board of Accountancy
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MINUTES

TENNESSEE STATE BOARD OF ACCOUNTANCY MEETING

June 23, 2003

The meeting of the Tennessee State Board of Accountancy convened in the Davy Crockett Tower, Nashville, Tennessee, June 23, 2003, at 11:00 am.

Members present were L. Dan Johnson, Chairman; David Curbo, Vice-Chairman; Mark King, Charles Frasier, Deborah Henderson, Mickey Ison, Grady Williams, and Mark Layne. Also present were Darrel Tongate, Executive Director; M. Connaught O'Connor, Staff Counsel; Leona Holston, Administrative Assistant; Linda Biek, Investigator; Dan Syriac, Administrative Manager; and Brad Floyd, Executive Director of the TSCPA.

Dan Johnson called the meeting to order at 11:00am and noted that a quorum was present. Darrel Tongate announced that Maxie Patton's wife was ill and he would not be here today, that Bill Dunavant was attending another meeting and that Mike Vaughn was out of town.

Dan Johnson asked for a motion to approve the minutes from the March 20, 2003 Board meeting. David Curbo motioned to approve the minutes for the March Board meeting. Mark King seconded the motion; it was voted on and passed.

Darrel Tongate presented plaques to Deborah Henderson for 6 years of service to the Board, Mickey Ison for 3 years of service to the Board, and to Grady Williams for 15 years of service to the Board. (There was also a plaque to be presented to Maxie Patton, but he was not present at the meeting.)

Darrel Tongate presented the **Executive Director's Report:** (see attached report)

- 1) Darrel announced the next Board Meeting date as August 25th.
- 2) NASBA's next annual meeting is in Maui Hawaii. NASBA has agreed to pay for five of us to attend. Four Board Members have asked to go; there is one space still open.
- 3) NASBA's Regional Meeting was in Kentucky. Dan Johnson commented on the Sarbanes Oxley discussion and said that it was very good.
- 4) Thank you to those who helped with the May CPA Examination.
- 5) We received an AICPA report regarding skills for the exam along with a CD Rom about the exam.
- 6) Our NASBA nominee, Diane Rubin, was not selected. Mike Weatherwax was selected.
- 7) NASBA sent over several re-grade requests. None were approved.
- 8) We had no problems with the May exam, see the report for stats.
- 9) Florida has agreed to address the issue of the \$400 fee for their temporary permit.
- 10) The CPA exam contract extension has been approved through the last pencil exam; also the Peer Review contract is in legal review.
- 11) Dan Johnson and Will Pugh took a revised budget to Commissioner Goetz, see attached. A brief discussion took place regarding this budget.
- 12) Rule changes proposed by Darrel Tongate and Mike Vaughn will be presented later in the meeting.
- 13) There are no Focus Questions this quarter.
- 14) The CPA certificate renewal form is being reworked to return to a 4-page renewal that includes the CPE listing. Grady Williams will report on this later in his committee report.

- 15) The Professional Privilege Tax is being paid by the State to the Dept. of Revenue on behalf of state employees and counted as income to the employee.
- 16) The Australian Reciprocal Agreement needs to be read and voted on.
- 17) A list of TN passing CPA exam candidates is sent to the TSCPA after each exam; do we want to send this to the AICPA also? Brad Floyd agreed to send this on to the AICPA for us.
- 18) We have four board member seats that expire on June 30th, Maxie Patton, Deborah Henderson, Grady Williams and Mickey Ison. All four can be reappointed, however we have not received any letters of appointment from the governor at this time.
- 19) Darrel asked the Board Members to look at and consider his law change proposal to allow other state licensees to practice in Tennessee with out a Tennessee CPA certificate. The Board Members partook in a short discussion of this proposal.
- 20) We have a request from a woman from India to be able to use her husband's social security number to sit for the CPA exam. A discussion took place regarding this situation and the legality of asking for social security numbers. Connaught will look into this and get back to the Board with her findings.
- 21) New ID cards are on your tables with the new governor's signature; please use this to access entry into the building.
- 22) Delete this number from this report as color copies of the law and rules were obtained prior to the meeting today .

LUNCH BREAK

RECONVENE

Dan Johnson expanded on the budget discussion and read the letter from Commissioner Goetz of F & A. The budget was approved subject to changes, all of which were the changes submitted differing from the original budget.

Connaught O'Connor presented the **Attorney's Report/Probable Cause Committee report** (copy attached) Ms. O'Connor announced the following cases were reviewed by a Board Member with the Reviewing Board Member making recommendations of action to the Board. New Case #37 – Mark King made the recommendation to Close. New Case #38 – Mickey Ison – hasn't concluded yet. He will review this case and make a recommendation by the end of today's meeting. New Case #39 – Mark King made a recommendation to Close. New Case #40 – David Curbo made the recommendation to call this person in for a Formal Hearing to possibly revoke and to also refer this case to the D.A. for practicing for four years without a license. New Case #41 – David Curbo made a recommendation to Close the case with a Letter of Instruction to the CPA. New Case #3 - David Curbo made a recommendation to issue a Consent Order for \$450.00 revised to exclude 1998. David Curbo motioned to approve the report and recommendations as amended. Deborah Henderson seconded the motion; it was voted on and approved.

David Curbo made a motion to the Board to pass the following two **policies**:

- 1) **The Board authorizes the Attorney, the Executive Director and the Investigator to review complaints and upon unanimous agreement of these three individuals, submit cases to investigation without waiting for Probable Cause Committee authorization.**
- 2) **When the Board has authorized Consent Orders, upon receipt of the signed Consent Order and any civil penalty, the Board authorizes the Executive Director and/or the Attorney to close the case.**

Grady Williams seconded the motion for both of these policies. They were voted on and approved.

Grady Williams presented the **CPE Committee Report** (See attached)

- 1) Mr. Williams announced to the Board that the CPA renewal application was being worked on by Dan Syriac and would either be a 4-page renewal application or two 2-page forms to be completed and returned for renewal.
- 2) Grady Williams motioned to approve the issuance of 212 new CPA certificates and 93 reciprocal CPA certificates whose experience and other qualifications have been approved by

the Board's staff. Charles Frasier seconded the motion; it was voted on and approved. The last CPA certificate issued was #17937.

- 3) Mr. Williams reviewed the results of the poll of states that require Ethics CPE. Mr. Williams asked the Board to consider a statute change to require a specific amount of Ethics CPE. The Board discussed this issue and will consider this the next time statute change is available.

Mark King presented the **Peer Review Committee Report**.

- 1) He reported that 403 firms were due peer reviews in 2003. Of those, 234 have scheduled, completed or become exempt and 169 have not responded at this time.
- 2) A list of approved reviewers tracking their Reviewer Course has been set up and will be maintained to ensure that all reviewers complete the required refresher course every three years.
- 3) 19 new firms have been approved since the March Board Meeting.
- 4) The committee reviewed 4 exempt requests, three were approved and the other needs more information before an approval decision can be made.
- 5) The Committee approved a name change request for a firm owned by two LLCs, but requires both LLCs to register and meet the ownership requirements of our statute.
- 6) A Georgia firm practicing in Tennessee with a P.O. Box address was recommended to be turned over to Probable Cause with a copy to the Georgia Board.
- 7) A firm that was not approved to offer attest services at the time of registration issued a compilation and was recommended to be turned over to Probable Cause.
- 8) Another firm name request was approved for a firm with part ownership of another LLC, the same registration requirements apply here as in #5 above.
- 9) Mark King made a motion to the Board to waive the policy restricting a Resident Manager to one office, to allow a CPA that sent in a written request to open a second office and be the Resident Manager of both offices. David Curbo seconded the motion. It was voted on and approved.

Old Business:

Rule Changes Discussion: A discussion took place regarding the rule change proposals as noted in BLUE in the attached copy of the rules. 0020-2-.02 (2) as proposed in BLUE was discussed; however the Board Members agreed to delete this rule proposal. David Curbo recommended that the Board add under 0020-6-.04 Basic Requirements, "8 Firms receiving peer reviews under the PCAOB program will also be required to have a peer review under an approved peer review program that covers the non-SEC portion of their practice." David Curbo made a motion to approve the Rule Proposals including the #8 above and minus the 0020-2-.02 listed above. Charlie Frasier seconded the motion; it was voted on and approved.

CBT Rule Changes Discussion: A discussion took place regarding the rule change proposals as noted in Blue in the attached copy of the CBT Exam Rules of the UAA. After some discussion, Darrel proposed to change the wording in Rule 5-7 (b) from "eighteen months from the actual date the Candidate took that Test Section," to "the next six 3-month exam cycles" and Rule 5-7 (b) (1) from "a rolling eighteen-month period, which begins on the date that the first Test Section passed is taken" to "the next six 3-month exam cycles." Grady Williams made a motion to the Board to approve the proposed CBT rules as amended. David Curbo seconded the motion; it was voted on and approved.

REINSTATEMENT HEARING

Darrel Tongate passed out Reinstatement Hearing information packets to all of the Board Members. A lengthy discussion and answer session took place between the Board and Mr. George M. Parrott. David Curbo made a motion to the Board to reinstate Mr. Parrott's CPA certificate subject to the restriction of NOT performing attest services. Mr. Parrott must come back to the Board to ask for this restriction to be released should he ever desire to perform attest services. Mark Layne seconded the motion and a roll call vote took place. The roll call votes were as follows; Deborah Henderson – approve, Mickey Ison – approve, Grady Williams – approve, Mark King – approve, David Curbo – approve, Dan Johnson – approve, Mark Layne – approve and Charlie Frasier – approve. The vote of Board Members present was unanimous and Mr. Parrott was approved for Reinstatement of his CPA certificate.

Connaught O'Connor announced to the Board that the Attorney General's Office made some changes to the Rules voted on at the last Rule Making Hearing, see attached Rules pages 1-13. The Board needs to be aware of these changes and vote to approve them. It is not necessary to have a new Hearing to pass these changes.

- 1) Page 2, letter (h) language was added to define clearly that the fee is sent to the Board.
- 2) Page 2, number (4) the paragraph was edited to add that the Board may request additional evidence of CPE from the licensees including CPE audits.
- 3) Page 5, (1) (a) 1. needs to be changed from "has" to "had."
- 4) Page 7, 0020-3-.12 The Attorney General's office made this it's own section. However, it needs to be 0020-3-.19 since there are already sections numbered .12 thru .18. Also delete the (2) under the heading as this is the only item under that section heading.
- 5) Page 7, 0020-5-.03 was amended to delete the proposed rule change and keep the original version of this rule. Also, delete the term "computer science" wherever it may appear.
- 6) Page 10, 0020-5-.07(1) was amended to add the words "up to six (6) months' between the words "time" and "within."

Grady Williams made a motion to the Board to accept these changes. Mickey Ison seconded the motion; it was voted on and approved.

New Business:

Rule Changes Discussion : (see attached Memo from Darrel Tongate to the Board Members with rule proposals 1-12)

- 1) Rule 0020-1-.01 Define Resident Manager by adding the following two sentences to the rule. "A resident manager may be the resident manager of multiple office locations. Each office location must have a CPA resident manager, with responsibility for that office, whether that manager is an owner in the firm or not."
- 2) Rule 0020-1-.05 Delete (2) and (3) and re-number. These are no longer needed because they are covered in the CBT Rules. Also after the word application in number (4) insert "including social security number."
- 3) Rule 0020-1-.08 In item number (4), is a list of CPE evidence without support documents?
- 4) Rule 0020-1-.08(7) Add the "or expired" after the word "lapsed" in the first two sentences.
- 5) Rule 0020-1-.11(4) Add the "in this state" after the word "accountancy."
- 6) This rule proposal was deleted.
- 7) Rule 0020-2-.02(1)(b)2 Add the phrase "junior level courses or higher" to the end of the sentence.
- 8) Rule 0020-3-.11(1)(c) Add the phrase "to include but not limited to general ledgers, general journals, fixed asset and depreciation records" at the end of the first sentence after the word "client."
- 9) Rule 0020-5-.03(3) Add the phrase "physically located in Tennessee" after the word 'licensees' in the first sentence.
- 10) Rule 0020-5-.03(3)(a) Add the phrase "physically located in Tennessee" after the first word in this sentence.
- 11) Rule 0020-5-.03(5) Change the reference from rule 0020-1-.08 (9) to 0020-1-.08(7) as there is no (9).
- 12) Rule 0020-5-.04(3)(c) Delete the extra return line space from this paragraph.
- 13) Rule 0020-1-.04(1) Change the sentence to read "Fees shall be charged by the Board for the following:" Delete all the dollar amounts and just list (a) thru (i) items for which the Board charges fees.

David Curbo made a motion to the Board to approve these rule changes minus item number 6 with the modifications discussed above to be brought back to the Board in a Rule Making Hearing. Mark Layne seconded the motion; it was voted on and approved.

David Curbo made a motion to the Board to **adopt the fees currently listed in Rule 0020-1-.04 as a policy.** Mark King seconded the motion; it was voted on and approved.

BREAK

Dan Johnson announced that the Board needed to nominate a new Executive Committee (Chair, Vice-Chair and Secretary) to be effective July 1, 2003. Mickey Ison made a motion to the Board to nominate David Curbo as Chair, Mike Vaughn as Vice-Chair and Mark King as Secretary. Grady Williams seconded the motion; it was voted on and approved.

Probable Cause Committee Report Continued:

New Case #38 – Mickey Ison – After reviewing this case, Mr. Ison recommended issuing a Consent Order for \$1,000.00 civil penalty and order the firm to obtain a TN CPA and Firm license if the firm continues to practice in Tennessee, the fees to obtain these licenses will be in addition to the consent order civil penalty. Mark King made a motion to the Board to accept this recommendation. David Curbo seconded the motion; it was voted on and approved.

David Curbo made a motion to the Board to accept the Reciprocal agreement with Australia. Mickey Ison seconded the motion; it was voted on and approved.

There being no further business to come before the Board the meeting was adjourned.

CHAIRMAN

SECRETARY